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AN

EXAMINATION

OF

MR. PITT'S PLAN

FOR

DIMINISHING THE PUBLIC DEBTS,

BY MEANS OF

A SINKING FUND.

PART II.

LONDON:

PRINTED FOR JOHN STOCKDALE, OPPOSITE BURLINGTON-HOUSE, PICCADILLY.

MDCCLXXXVII.

1787

[Price Six-pence.]

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AN

EXAMINATION

OF

Mr. PITT's PLAN, &c.

IN the former part of this work, we have been only trying to explain the nature and principles of the Scheme for Diminiſhing the National Debt; and whoever has read that with attention, will now be competent to enter into a more particular examination of the probable ſucceſs of Mr. Pitt's Plan.

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By taking one Fund alone, and that at an higher price than it has been, we only reckoned £. 1,261,718 to be purchaſed; whereas, in fact, the public have now at *Midſummer*, 1787, the ſum of £. 1,343,100 ſtanding in their name; and by having purchaſed in ſeveral of the Funds, the intereſt is received quarterly, inſtead of half-yearly; ſo that at the end of one year, we are in the ſame ſtate, as if we had on the laſt transfer-day of that year, purchaſed the whole Million, at about $74\frac{3}{8}$, or 100*l.* Stock, for 74*l.* 7*s.* 6*d.* or thereabouts. The conſequence of this would be much the ſame as if every period of the former Table, was reduced from four years and an half to four years; and conſequently, that whatever the Sinking Fund would have amounted to in 63 years, it will at this rate do in about 56 years.

But

But a Table is here added, upon the ſame ſuppoſition as in the former part, by which our probable ſituation may be readily ſtated in a few minutes, on every other ſuppoſition of encreaſe of Debt, or price of Stock.

A TABLE

A TABLE,

Shewing the Effects of Mr. Pitt's Sinking Fund.

1ſt. Suppoſing the preſent Debt to be 240 Millions.

2d. The 3 per Cents. to be bought in at 80, all Charge included.

3d. An Addition to the Debt of 10 Millions in 3 Years, or 15 Millions in 4½ Years.

Col. 1.	2d.	3d.	4th.	5th.	6th.	7th.	8th.
Chriſtmas 1790	4½	15	6,000,000	9,000,000	249,000,000	255	180,000
Midſum. —95	9	30	13,080,000	16,920,000	256,920,000	270	392,400
Chriſtmas —99	13½	45	21,434,400	23,565,600	263,565,600	285	643,032
Midſum. 1804	18	60	31,292,592	28,707,408	268,707,408	300	938,777
Chriſtmas —08	22½	75	42,925,254	32,074,746	272,074,746	315	1,287,757
Midſum. —13	27	90	56,651,796	33,348,204	273,348,204	330	1,699,553
Chriſtmas —17	31½	105	72,849,114	32,150,886	272,150,886	345	2,185,473
Midſum. —22	36	120	91,961,952	28,038,048	268,038,048	360	2,758,858
Chriſtmas —26	40½	135	114,515,100	20,484,900	260,484,900	375	3,435,453
Midſum. —31	45	150	141,127,818	8,872,182	248,872,182	390	4,333,834
Chriſtmas —35	49½	165	173,130,822	8,130,822	231,869,178	405	5,193,924
Midſum. —40	54	180	210,294,366	30,294,366	209,705,634	420	6,308,830
Chriſtmas —44	58½	195	254,147,346	59,147,346	180,852,654	435	7,624,420
Midſum. —49	63	210	305,893,866	95,893,866	144,106,134	450	9,176,815
Chriſtmas —53	67½	225	366,954,756	141,954,756	98,045,244	465	11,008,642
Midſum. —58	72	240	439,006,608	199,006,608	40,993,392	480	13,170,198
Chriſtmas —62	76½	255	524,027,796	269,027,796	29,027,796	495	15,720,833
The Half Years at which each Period ends.	No. of Years from Midſummer, 1786.	No. of Millions added to the preſent Debt.	Amount of Stock bought for the Public.	Difference between the 3d and 5th Column.	The Part of the whole Debt, which ſtill belongs to the Public Creditors.	The whole Debt.	Annual Intereſt of the Stock purchaſed at each period.

Explanation

Explanation and Uſe of the foregoing TABLE.

The Table conſiſts of Eight Columns, of which the

1ſt. Is the day and year which compleats a period of $4\frac{1}{2}$ years, from Midſummer, 1786, when the Sinking Fund, on the preſent Plan, took place.

2d. Is the number of years elapſed in all from the commencement of the Plan.

3d. Is a number of even millions, which may be ſuppoſed poſſible to be added to our preſent debt, by future wars, &c.

4th. Is the ſum which at the end of every period will have been purchaſed by the public of its own debts.

5th. Is merely the difference between the 3d and 4th column, and ſerves to ſhew at the end of each period, what proportion the New Debt incurred, bears to the Stock bought in.

6th. Is the ſum for which the public credit ſtands pledged to the creditors at the end of each period, and which if paid off would wholly annihilate all demands on us.

7th. Is the whole ſum for which intereſt is to be raiſed, in order to pay the public creditors their dividends, and alſo to ſupply the Sinking Fund with money to purchaſe ſtock for the abolition of the whole debt.

8th. The annual intereſt of the ſtock at that time ſtanding in the name of the public, which added to One Million, makes the whole ſum to be laid out in ſtock the following year, which ſum, multiplied by 6, as in the Table of the Firſt Part, gives the accumulated ſtock at the end of the period.

The

The foregoing Table is put in ſuch a form, that it exhibits to the view, not only the actual condition of our Finances, in caſe the events of future times concur with the ſuppoſitions adopted, but alſo it may be made to ſuit any actual ſtate in which the country can hereafter be found, as will be preſently ſhewn.

In the preſent caſe, it is only neceſſary to ſhew the references the columns have to each other.

In the former part it was made clear, that One Million *per annum*, laid out in 3 *per Cents.* at 80 *l.* would, with its growing intereſt, transfer to the Public, in four years and a half, Six Millions of 3 *per Cent.* Stock: and if at the end of that period we add to the Annual Million the Intereſt of that Six Millions, and multiply the whole by Six, the product will be the farther Sum

transferred

transferred in the ſecond period, and ſo on, for any length of time.

The third column, therefore, is a ſuppoſed addition to the National Debt of Fifteen Millions in every period, war or peace: it is hardly poſſible to be a true ſuppoſition, but it is greater than paſt experience warrants, and on that account, probably, leſs in favour of the Public than the truth: it would admit our borrowing Twelve Millions of money at the rate of Intereſt here aſſumed.

The fourth column, which contains the Accumulation of Stock, is in the beginning much ſmaller than the increaſe of Debt, but is nearer to it in proportion as it goes farther on, and by degrees overtakes it, and begins to reduce the actual Amount of the preſent Debt.

The fifth column is particularly worthy of attention. It consists of the actual difference between the Increase of Debt, and the Accumulation of Stock. Now, though the accumulated Stock bears a greater proportion to the increased Debt in every succeeding period than it did before, yet the actual difference is in a few of the earlier periods greater than in the preceding one. Thus in the third and fourth period, Thirty-one Millions bears a greater proportion to Sixty Millions, than Twenty-one Millions does to Forty-five Millions: yet the actual increase of Debt is Twenty-eight Millions in the latter, and only Twenty-three Millions in the former. But after the sixth period, the debt due to the public creditors begins to diminish, it being then increased Thirty-three Millions above the present Debt, and in the next period only Thirty-two Millions; so that on this plan we see the greatest Sum for which this Country can ever be mort-

gaged, is little more than Thirty-three Millions more than at the beginning of the year 1786; and that happens entirely from the application of a ſingle Million annually for twenty-ſeven years, in which period we have incurred a new Debt of Ninety Millions, or between Three and Four Millions every year during the whole time. Such is the paradox which the difference between Simple and Compound Intereſt is alone able to ſolve.

The next obſervable period is the tenth, wherein it appears, that the increaſe of Debt is nearly done away, for at the end of that period Eight Millions appear due to the public creditors, above the original Two hundred and forty Millions; but in the next line the balance is Eight Millions the other way, and from that time. The Sum in the fifth column is always to be ſubſtracted from Two hundred and forty Millions, to give the Sum for which the Country is liable to

be called on. This continues to diminiſh till after the ſixteenth period, at which time Forty Millions remain, but the ſeventeenth ſhewing, that Two hundred and ſixty-nine Millions have been bought, more than the increaſe of the Debt, and the old Debt being but Two hundred and forty Millions, ſhews, that before that time, no more Stock would have remained to buy, and conſequently no Debt would remain.

It therefore follows, that the difference to the Public, at the end of ſeventy-two years, would be, that if One Million *per annum* be employed, as propoſed, we ſhall only be Forty Millions in Debt; and if it be not ſo employed, we ſhall be Four hundred and eighty Millions in Debt, the Intereſt and Taxes having all along remained the ſame, except as to the mere Sum of One Million *per annum*.

It

It now only remains to ſhew, how the Table is to be moſt readily applied to any other ſtate of facts.

It has appeared before, that four years and a half was the period, in which any annual Sum, employed in buying Stock, would have purchaſed Stock to the amount of ſix times itſelf, at ſomething above 80 *per Cent.* for 3 *per Cents.*

It has alſo been ſhewn, that a longer or ſhorter period would be neceſſary for ſuch an effect, if the price of Stock was higher or lower: the uſe therefore to be made of the Table, conſiſts in a very eaſy and almoſt obvious artifice.

Let the fourth column be deemed invariable, and conſidered merely as a column of periods, each of uncertain duration. But ſuch as will, at the given Price of Stock,

amount

amount to ſix times the Sum of money applied in one year in 3 *per Cent.* Stock.

Thus at 80 *per Cent.* it was found ſomething more than this effect was produced in four years and a half: therefore we may ſay, it would have been exactly produced, had the Stock been bought at about 81 *per Cent.*

So it was ſhewn, that at 90 *per Cent.* this effect would not have been quite produced in five years, but at 88, or 89, we may ſay, it would have been exactly produced.

Again, at 60 *per Cent.* we found it conſiderably more than performed in three years and a half; ſo that we may conclude, it would have been exactly done in that time if Stock had been at 62 or 63.

The Stock actually purchaſed laſt year, ending at Midſummer laſt, has been at different

ferent prices, from 72 to 75 *per Cent.* and at this rate each period would be about four years.

Should this continue the true price, or ſhould any perſon have reaſon to expect it to be ſo, for ſome years to come, he will expect with equal reaſon, that the accumulated Stock will, in twenty-four years, be equal to what in the Table is ſet down as the produce of twenty-ſeven years, and ſo of any other price of Stock.

It now only remains to obſerve upon the third column, as to the variations it may be liable to.

Whoever conſiders the time our preſent Debt was growing to One hundred and forty Millions, and the vaſt wars we had to ſuſtain, will think, a plentiful allowance has been made for the probability of future increaſe:

and

and if he further reflects on the extravagant expences of the laſt war, in proportion to the forces employed, will hardly allow, that the preſent debt could have yet fairly ariſen to Two hundred Millions inſtead of Two hundred and forty.

Perhaps the proportion may not be much altered by the price of Stock, becauſe if Twelve Millions of money may be had for Fifteen Millions of Stock, when 3 *per Cents.* are at 80 *l.* only Nine Millions can be had for the ſame when they are at 60 *l.* So that on the whole the difference to the Public may not be great, whether the funds are high or low, provided the Sinking Fund is allowed to operate in war as well as in peace. But it is to be hoped that a peace of ſome duration, and honeſt management if war muſt come, will prove, that the third column is upon the whole taken far too high. To conclude, Wiſdom and Chriſtianity bid

us pray for peace, but we have no reaſon to fear war. No poſſible combination of powers can in the next ſeven years force us to add One Million *per annum* to our preſent burthens, which is more than can be ſaid for the reſources of any one of thoſe who ſhould be ſo combined againſt us.

Note, Although the foregoing Table is carried on to the total extinction of the National Debt, it is very problematical whether ſuch an event is on the whole deſirable. But we have only been examining the power of ſuch a fund, and not the moſt expedient degree of that power for us to employ. Parliament ſeems to have adopted an idea of this nature, by providing, that when an income of Four Millions is purchaſed, the ſurplus ſhall go in eaſe of Taxes. But it would not be difficult to point out ſome reſources not yet attended to, by which the Revenue might be ſo increaſed immediately,

as to eaſe the Public of ſome part of their burthens immediately, and yet apply more than one Million to the purchaſe of Stock: this may probably be the ſubject of a future inveſtigation.

END OF PART II.

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